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Mine Permit Number M0450017 Mine Name Mercur mine
Operator BARRICK Resources Date 12-31-1985
TO _____ FROM _____

☐ CONFIDENTIAL ☐ BOND CLOSURE ☐ LARGE MAPS ☒ EXPANDABLE
☐ MULTIPUL DOCUMENT TRACKING SHEET ☐ NEW APPROVED NOI
☐ AMENDMENT ☐ OTHER _____

Description YEAR-Record Number

☐ NOI ☒ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

Report of Examination of Financial Statement
for the Period from opening of Business on
June 28, 1985 to December 31, 1985

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

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☐ TEXT/ 8 1/2 X 11 MAP PAGES ☐ 11 X 17 MAPS ☐ LARGE MAP

COMMENTS: _____

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M/045/017

BARRICK MERCUR GOLD MINES, INC.

Report on Examination of Financial Statements

For the period from opening of business on

June 28, 1985 to December 31, 1985

**Coopers
& Lybrand**

Certified Public Accountants

To the Shareholder of
Barrick Mercur Gold Mines, Inc.:

We have examined the balance sheet of Barrick Mercur Gold Mines, Inc. as of December 31, 1985 and the opening of business on June 28, 1985, and the related statements of income and retained earnings and changes in financial position for the period since the opening of business on June 28, 1985 to December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Barrick Mercur Gold Mines, Inc. as of December 31, 1985 and the opening of business on June 28, 1985 and the results of operations and changes in their financial position for the period since the opening of business on June 28, 1985 to December 31, 1985 in conformity with generally accepted accounting principles.

Coopers & Lybrand

Salt Lake City, Utah
February 26, 1986, except as to Note 4,
for which the date is March 23, 1986

BALANCE SHEET, as of December 31, 1985 and the opening of business on June 28, 1985

The accompanying notes are an integral part of the financial statements.

BARRICK MERCUR GOLD MINES, INC.

STATEMENT OF INCOME AND CHANGES IN RETAINED EARNINGS
for the period since the beginning of business
on June 28, 1985 to December 31, 1985

Revenues:	
Gold and silver sales	\$16,634,235
Cost of product sold:	
Mine expenses	3,282,282
Mill expenses	5,920,275
Royalties, taxes, and refining charges	<u>258,801</u>
Total cost of product sold	<u>9,461,358</u>
Gross profit	7,172,877
General and administrative expenses	<u>1,664,807</u>
Income from operations	5,508,070
Interest expense	<u>1,322,791</u>
Income before income taxes	4,185,279
Provision for income taxes (Note 5)	<u>738,213</u>
Net income	<u>\$ 3,447,066</u>
Retained earnings, end of period	<u><u>\$ 3,447,066</u></u>

The accompanying notes are an integral
part of the financial statements.

BARRICK MERCUR GOLD MINES, INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION
for the period since the beginning of business
on June 28, 1985 to December 31, 1985

Working capital provided by:

Net income	\$ 3,447,066
Add items not requiring working capital:	
Depreciation expense	1,245,609
Reclamation expense	250,496
Deferred taxes	<u>738,213</u>
Working capital provided by operations	5,681,384
Increase in deferred revenue, net of current portion	19,951,242
Decrease in other assets	<u>139,772</u>
Total working capital provided	<u>25,772,398</u>

Working capital applied to:

Purchase of equipment	2,510,950
Increase in deferred stripping costs	1,741,154
Decrease in long-term debt	<u>22,500,000</u>
Total working capital applied	<u>26,752,104</u>
Decrease in working capital	<u>\$ (979,706)</u>

Changes in components of working capital,
increase (decrease):

Cash	814,551
Accounts receivable	(323,328)
Gold ore inventories	(1,224)
Supplies and prepaid expenses	502,062
Accounts payable and accrued liabilities	591,091
Payable to parent	(64,100)
Current portion of long-term debt	2,500,000
Current portion of deferred revenue	<u>(4,998,758)</u>
Decrease in working capital	<u>\$ (979,706)</u>

The accompanying notes are an integral
part of the financial statements.

BARRICK MERCUR GOLD MINES, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Presentation:

On June 28, 1985, Barrick Resources (USA), Inc., a wholly owned subsidiary of American Barrick Resources Corporation acquired all of the outstanding stock of Getty Gold Mine Company (the Company) (formerly a subsidiary of Texaco Inc.) for \$31 million. The Company's name was changed to Barrick Mercur Gold Mines, Inc.

The stock purchase agreement requires that the Company pay Texaco a production payment of one-half of the excess market price of gold over \$385 per ounce for every ounce of gold produced when the market price exceeds \$385 per ounce. This requirement to pay Texaco terminates when the Company has made \$9 million in cumulative production payments. The condition for payment of the additional amount has not been met, therefore, no portion of the potential production payment liability has been reflected in the financial statements. If and when payments are made, the amounts will be added to the cost of the property, plant and equipment.

The property, plant and equipment of the Company have been revalued to reflect the purchase price Barrick Resources (USA), Inc. paid for those assets (referred to as "push-down" accounting).

2. Significant Accounting Policies:

Property, Plant and Equipment

Buildings and equipment are recorded at cost and depreciated using the straight-line method based on the estimated useful lives of the assets ranging from 3 to 20 years. The tailings dam and the heap leach pad costs are depreciated using the units of production method. The tailings dam costs consist of actual incurred costs plus estimated future additions to the dam.

Repairs and maintenance expenditures are charged to operations; major improvements and replacements which extend the useful life of an asset are capitalized and depreciated over the remaining estimated useful life of that asset.

Continued

NOTES TO THE FINANCIAL STATEMENTS, Continued

2. Property, Plant and Equipment, Continued

When property, plant, or equipment is sold or retired, the related asset cost and accumulated depreciation are removed from the applicable accounts. Any gain or loss on the disposal will be reflected in the income statement.

Mineral exploration

Expenditures on mineral exploration programs will be deferred on a project basis until the viability of the project is determined. If a project is abandoned, the accumulated project costs will be charged to operations. Once a project is developed, the related accumulated costs will be amortized over the productive life of the project.

Income Taxes

Investment tax credits are recorded by the flow through method as a reduction of federal income taxes in the year in which the credits arise.

Inventories

Inventories are stated at the lower of average cost or market (first in, first out). Product inventory includes labor, materials, other production costs and depreciation.

3. Deferred Stripping Costs:

The Company has determined that the average stripping ratio (tons of waste removed for every ton of good ore) is 3.8 to 1 for the life of the Mercur mine. When the actual stripping ratio exceeds 3.8 to 1, the Company defers the costs associated with the excess. These deferred costs will be expensed when the stripping ratio is less than 3.8 to 1. Deferred stripping costs totaled \$1,747,226 at December 31, 1985.

Continued

NOTES TO THE FINANCIAL STATEMENTS, Continued

4. Deferred Revenues:

In connection with the purchase, the Company obtained a bank loan for \$25,000,000 which bore interest at a rate of 3/4% above the bank's publicly announced interest rate. In December of 1985, this loan was paid with the proceeds to an interim bullion loan. The bullion loan called for the Company to pay 77,000 ounces of gold over a five year period. The Company recognized the bullion loan as deferred revenue. The agreement called for interest to be paid at 1 7/8% for the first year with annual interest rate changes agreed upon by both parties. This agreement was collateralized by a bank letter of credit for \$25,000,000 bearing interest at 1 1/4%.

On March 23, 1986, the Company completed a new bullion loan, the proceeds of which retired the interim bullion loan. The letter of credit securing the interim bullion loan was terminated. This new agreement is for an amount up to \$27,000,000 based on 76,000 troy ounces of gold. The amount is to be repaid in equal semi-annual installments of 9,500 ounces of gold. The agreement calls for interest to be paid at the lender's gold base rate plus 1% for the first two years and the gold base rate plus 1 1/4% for the last two years. Both principal and interest may be paid with gold or cash, at the Company's option. The Company's assets have been pledged as security for the bullion loan.

5. Allowance for Reclamation:

The Company is obligated under Utah state laws to restore the land on and around the mine to conditions similar to the original environment. The Company has estimated that it will take approximately \$4.4 million to restore the surface for all present and future mining operations. The allowance for reclamation reserve represents the amount of the liability attributable to mining operations to date.

6. Income Taxes:

The Company files a consolidated return with its parent. Deferred taxes result from timing differences in the recognition of depreciation, reclamation, and stripping expenses for tax and financial statement purposes.

Continued

NOTES TO THE FINANCIAL STATEMENTS, Continued

6. Income Taxes, continued:

The provision for income taxes consists of the following:

Currently payable	\$ -0-
Deferred	<u>738,213</u>
Total provision	<u>\$738,213</u>

The tax effects of timing differences are:

Excess depreciation	\$728,059
Reclamation costs	(34,163)
Deferred stripping costs	237,489
Investment tax credits	<u>(193,172)</u>
Total	<u>\$738,213</u>

At December 31, 1985, the Company had net operating loss carryforwards for tax purposes only of \$3,099,000 which expire in 2000. In addition, it had investment tax credit carryforwards of \$193,000 which expire in 2000. These ITC carryforwards have been recognized in the financial statements as a reduction of deferred income taxes. Deferred taxes have also been reduced by \$836,000 due to statutory depletion.

The provision for income taxes differs from the amount computed using the U.S. statutory federal income tax rate of 46%. The differences are summarized as follows:

Tax at statutory rate	\$1,925,228
Difference in depreciation basis	(209,536)
State income taxes	51,543
Investment tax credits	(193,172)
Statutory depletion	<u>(835,850)</u>
Provision for income taxes	<u>\$ 738,213</u>

7. Employee Benefit Plans:

The Company has a contributory thrift plan for all salaried employees. The Company will match the employee's contribution up to a maximum of 6% of the employee's gross pay. In addition, the Company has a contributory savings plan for all

Continued

NOTES TO THE FINANCIAL STATEMENTS, Continued

7. Employee Benefit Plans, continued:

hourly employees. The plan calls for the Company to contribute an amount equal to 4% of the employee's gross pay, regardless of any employee contributions. Costs for this plan totaled \$153,000 at December 31, 1985.

8. Reclassification of Various Balance Sheet Accounts:

Some balances at June 28, 1985 were reclassified to conform with the presentation at December 31, 1985. Total assets, liabilities, and equities at June 28, 1985 remain unchanged.